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## **A Study on Inventory Management in Southern Power Distribution Company of ASPDCL Ltd**

<sup>1</sup>G. Pratap, <sup>2</sup>Ch. Venkateshwarulu

<sup>1</sup>Student of MBA, Annamacharya college, Tirupati.

<sup>2</sup>Assistant Professor, Department of Business Administration, Annamacharya college, Tirupati.

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### **ABSTRACT:**

In this paper title a study on inventory management in southern power distribution company of aspdcl Ltd, this aim to challenging problem areas in supply chain management. Companies need to have inventories in warehouse in order to fulfil customer demand, mean while inventories have holding costs,and this is frozen that can be lost. Company performance was determined based on inventory days and return on asset analysis and study of how product demand changes over time analysis. This research helps businesses stock the right amount of goods and project how much customers will want in the future.

Keywords:- abc classification, demand forecasting methods, inventory management, replenishment policies.

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### **INTRODUCTION:-**

Before the 1950's Finance was chiefly concerned with the issue of various types of securities, i.e., equities and different types of preference shares and debt instruments Finance also considered capital structure and liquidity, but each of these primarily from the view of an external analysis. Financial control consisted of various rules of thumb in respect of financial analysis ratio like the gearing ratio or current ratio.

In the 1950's the methodology of investment appraisal received increased attention, but the decade was especially marked by the publication of 2 important articles. 1<sup>st</sup> was by Markowitz in 1950 and concerned the theory of portfolio selection dealing with risky investment. This led to the later development of the capital Asset Pricing Model that deals with the pricing of risky asset and the relationship between risk and return.

The Second article was by Modigliani and Miller in 1958 and concerned firm valuation and gearing. These articles were the start of the development of a coherent theory of finance. The subject has also come to include dividends, efficient markets and option valuation theories.

Finance is one of the major elements which activate the overall growth of the economy.

A well-knit finance system directly contributes to the growth of the economy an efficient financial system calls for the effective performance of financial institution, financial instruments and financial markets.

### **INVENTORY MANAGEMENT:-**

The term business finance mainly involves in raising of funds and their effective utilization, keeping in view, the overall objects of the firm. In a broader sense, finance includes determining what has to be paid for rising money on the best term available and devoting the available funds to the fullest extent.

### **DEFINITION:**

According to Guthman and Dougall, "Business finance can be broadly defined as the activity concerned with planning, raising, controlling, and administration of funds used in the business".

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### **SCOPE AND FUNCTION OF FINANCIAL MANAGEMENT**

The approach to the scope and functions of financial management is divided for purpose of exposition, into two categories:

- Traditional Approach
- 1. Modern approach

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## VIEW OF LITERATURE

### *TECHNIQUES OF INVENTORY CONTROL:*

Inventory control techniques are mainly followed by control organizations within the frame work of one of the basic inventory models like

Fixed order quantity system or 'Q' system

Fixed order period system 'P' system

These techniques represent the operational aspect of inventory management and help realize the objectives of inventory control and inventory management. Several techniques are there which is used according to convenience of the technique

What should be stressed however is the need to cover all the items of inventory and all stages that means from the point of receipt from supplier to the point of use

- The techniques in inventory control are as following
- ABC(always better control)classification
- HML(High, Medium, Low)classification
- VED (Vital, Essential, Desirable, Easy) technique.
- SDE (Scarcem, Desirable, Easy) technique.
- FSN (fast, Medium, Non-moving) technique.
- EOQ (Economic Order Quantity) analysis.
- Maximum and Minimum system
- Two-bin system.
- JIT (just-in-time) technique
- MRP (Materials Requirements Planning).

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## NEED FOR THE STUDY

- To maintain a buffer for doing different operations
- To avoid a mistakes between supply and demand
- To need un expected demand.
- To have a smooth running of production.
- To avoid a ideal time due to lakh of inventory.
- To make on time delivery.

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## SCOPE OF THE STUDY

- A study was conducted in "APSPDCLtd" to analyze the above-mentioned functions in brief and inventory control in detail.
- Highlight the need for and nature of inventory
- Focus on the need for analyzing in investment inventory

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## OBJECTIVE OF THE STUDY

- To know the overall effectiveness of inventory management in APSPDC Ltd.
- Abc analysis, demand forecasting , FIFO and LIFO accounting
- To suggest a remedial measure for better decision making by the organization
- To study the inventory valuation in APSPDC Ltd.

## METHODOLOGY OF THE STUDY

### SOURCES OF DATA

Both primary and secondary data were used to obtain the required information.

#### Primary data.

Primary data is collected from different department managers and officers of the company.

#### Secondary data.

Secondary data is collected from different published sources.

Collection of data through company annual reports, company manuals and other relevant documents.

By textbooks, journals & websites.

## DATA ANALYSIS AND INTERPRETATION

### INVENTORY TURNOVER RATIO:

Inventory turnover or stock turnover ratio indicates the number of times the stock is turnover (i.e., sold) during the year. In other words, it is relation between the stock and cost of goods sold. This ratio indicates whether investments in inventory are efficiently used or not.

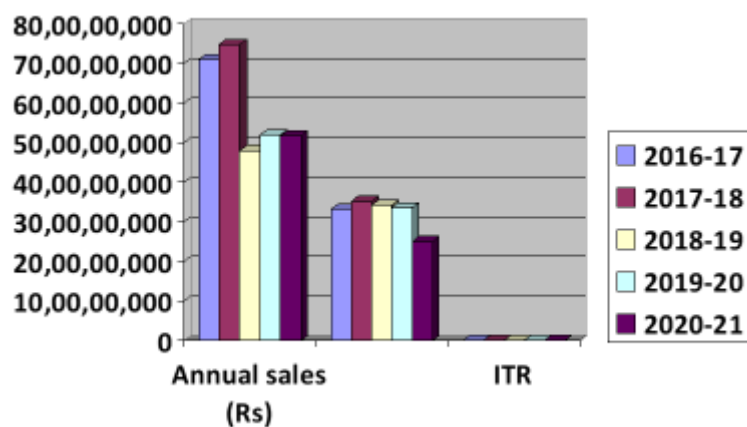
A high inventory turnover ratio indicates brisk sales. The ratio is a measure to discover the possible trouble in form of over stocking or over valuation. A low inventory turnover ratio results in blocking of funds in inventory, which may ultimately result in losses due to inventory becoming absolute, or deteriorating in quality.

The ratio is expressed as: =  $\text{Annual sales} / \text{Average stock of Inventory}$

Year	Annual sales (Rs)	Average stock of Inventory(Rs)	ITR
2016-17	71,10,49,820	33,11,28,862	2.15
2017-18	74,91,45,908	35,21,67,951	2.13
2018-19	48,00,30,182	34,18,60,689	1.4
2019-20	51,94,15,843	33,62,05,679	1.5
2020-21	51,76,09,558	24,98,68,315	2.1

#### Inference:

From the table it is clear that inventory ratio had increased in 2016, 2.15 respectively, but slightly decreased by 0.02 in 2017, 0.73 in 2018 and 1.25 in 2019 when compared to 2019 (i.e. 1.4 and 0.15 in the year 2020 & 2021 respectively).



#### Interpretation:

From the above graph, it is clearly shown that the inventory turnover ratio fluctuates year over year. Inventory turnover ratio has a declining trend from 2016, which indicates that inventory is utilized efficiently without blocking of inventory in stock and making them obsolete.

## 2. Raw Material turnover ratio:

Raw Material turnover ratio shows the ratio of turnover of inventory based raw material consumed and average inventory. Raw material is those basic inputs that are converted into finished product through the production process. Raw material inventories are those units which have been purchased and are stored for future productions. This ratio shows the number of times the raw materials were replaced during a fiscal year.

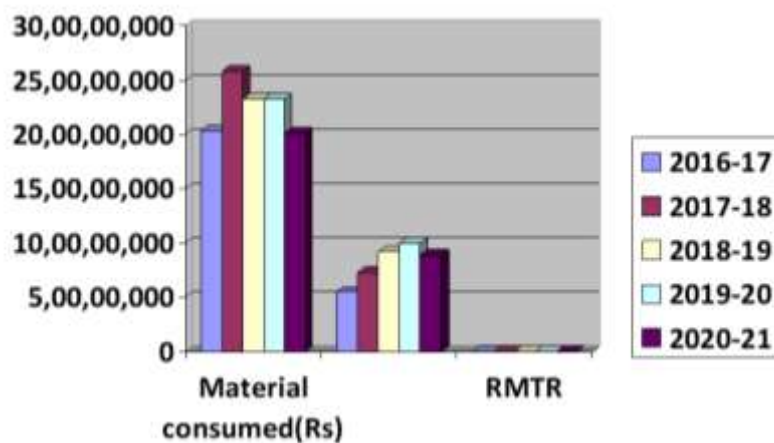
The ratio is expressed as:

*Annual consumption of raw materials / average raw materials*

Year	Material consumed (Rs)	Average stock of raw material(Rs)	RMTR
2016-17	20,29,88,988	5,47,40,677	3.7
2017-18	25,83,54,512	7,22,75,937	3.57
2018-19	23,27,68,231	9,17,77,764	2.53
2019-20	23,27,93,494	9,97,09,297	2.33
2020-21	20,15,83,439	8,87,60,886	2.27

### Inference:

From the above table it is clear that raw material was lying in the inventory for a long time when we see the ratio in the year 2017 to 2018. But it has slightly come down 2019 i.e. 2.53, next year also it was low at 2.33 and 2021 also low at 2.27.



### Interpretation:

From the above graph, raw material ratio has shown a decline in previous two years giving a good sign of effective use of raw materials for the production process.

## ABC ANALYSIS

### CLASSIFICATION OF ITEMS:

- ABC classification is based on value

10% in number and 70% by value classified as CLASS A.

10% in number and 20% by value classified as CLASS B.

80% in number and 10% by value classified as CLASS C.

- In APSPDC LTD ABC classification of items is as follows:

**A Class Items:** Consumption value more than and above. Example, etc

**B Class Items:** Consumption value more than but less than. Example, etc

**C Class Items:** Consumption value less than Rs... Example, bolts, nuts, etc

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## FINDINGS

- APSPDC machine tool has a regular system for determining unserviceable or damaged stores, raw materials and finished goods.
- The unit has maintained proper records showing full particulars including quantitative details and situations of fixed assets.
- Materials are classified as 'A' 'B' and 'C' class items.
- The unit has maintained good relationship with the employer and employees.
- The unit has maintained up to date records and submitted to respective authorities.
- Inventory has been physically verified during the year by the management.
- The technology is not advanced. This is one of the reasons for low productivity.
- Most of the machines are obsolete. Thus production process is costly and time consuming.

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## SUGGESTIONS

- The company should make efforts in making the whole use of installed and licensed capacity.
- The company should fix competitive prices for the productions in order to compete in the global market.
- The company should adopt modern costing systems, balance scorecard concept etc.
- The company inventory management is at moderate level. Hence effective steps have to be taken to see that the inventory management is made more efficient so that capital is blocked in inventory can be used for working capital required.
- Major part of revenue earned is spent on payment of interest: therefore measures should be taken to reduce the amount of credit.
- Since the company is incurring loss for the past few years, the management should take measures to bring such a situation under control in order to flourish in the near future.
- The material cost is high in the company, thus the company should make efforts to buy the materials at reasonable price.
- The company should update its technology so that it can beat the competitor's price and also produce higher quality products.
- The company has to concentrate much on credit policy for speedy collections of accounts receivable.

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## CONCLUSION

APSPDC Ltd is a very popular name among every Indian, because of its innovation of technology quality assurance durability affordability to its people or customer. APSPDC has created the brand image that symbolizes, to a manufacturer, tractors to a farmer and watches to millions of people in India.

Today APSPDC'S, expertise has been developed to such an extent that APSPDC can design and develop any kind of machine from simple lathes to CNC machines to flexible manufacturing system. Today APSPDC is multi technology multi Product Company.

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